



Analysis of Localization Strategy of Multinational Corporations in China

—Taking Amazon as an Example

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Abstract

Amazon went from a peak of 15.4% of China's e-commerce market share in 2008 to announce in 2019 that it would no longer operate parts of the Chinese domestic market. One of the most important reasons for the failure of Amazon (China) is the lack of a perfect combination of global expansion and localization in China. Taking Amazon (China) as an example, this paper analyzes a large amount of literature and examples, obtains a large amount of secondary data, takes strategy localization development as the target orientation, and provides learning and reference experiences for Chinese cross-border enterprises by analyzing the current situation and reasons of localization strategy development of Amazon (China).

Subject Areas

International Economics

Keywords

Amazon (China), Localization Strategy, Multinational Corporation

1. Introduction

Amazon is the world's largest e-commerce company. From the beginning of the "online bookstore", it has become the online shopping platform with the largest number of categories in the world. Amazon logistics is a major feature of Amazon, its logistics covers more than 60 countries around the world, and has fixed consumer groups and loyalty of high customer sources. The purpose of Amazon is to use data to speak. Amazon relies on advanced technology to calculate the price elasticity of products based on the data analysis of purchasing personnel,

and to establish its own brand with the lowest comprehensive cost of products for customers. Amazon entered China in 2004, becoming the earliest e-commerce company to enter the country. 2008 saw the peak of Amazon's development in China, with a market share of 15.4% of China's e-commerce industry [1]. However, with the rapid rise of Taobao and Jingdong, traditional e-commerce industries such as Suning and Gome have been left far behind, and the market share occupied by Amazon has been decreasing year by year. Until April 2019, Amazon announced it to stop operating the main domestic e-commerce business in China, and in the kindle e-book segment, Amazon announced on June 30, 2023, in China to stop the operation of the Kindle e-book store. The lack of localization strategy implementation is one of the important reasons for Amazon's failure in China [2].

Amazon was founded in 1995. In 2004, Excellence.com was acquired by Amazon for a consideration of \$7,500, and in 2022 Amazon was ranked fourth among the top 500 companies in the world. Amazon's share of the global market is climbing, but its growth in China is cold. One of the reasons for Amazon's big failure in China is the same as other U.S. Internet companies; the reasons for failure are related to the lack of thorough implementation of localization strategies in China [3].

This paper comprehensively studies the problems in localization strategies implemented by internet multinationals from four dimensions after entering China and innovatively analyses the deep reasons obtained from these strategy problems.

Most of the existing research literature on localization strategies of MNCs focuses on traditional corporate marketing perspectives, and the findings and scope of the study are limited. This paper takes Amazon (China) as an example to study the localization marketing strategy of Internet multinationals and its results after entering China, and then proposes solutions and ideas to solve the successful landing of Internet multinationals in China. At the same time, it provides references and lessons for Internet MNCs struggling and failing miserably in China, and also provides some reference experiences for other international Internet companies to enter China.

2. Problems in Implementing Localization Strategy

2.1. Problems in Logistics Localization Strategy

Amazon (China) Logistics has established its own warehouses in China, not only with this state-of-the-art operation network, but also with its own distribution team and customer service center. However, the overall development effect of logistics is far behind Jingdong. Why?

First, Amazon logistics covers first and second-tier cities, while logistics in third and fourth-tier cities cooperate with third-party logistics, which leads to, third-party logistics cannot be effectively controlled and customer experience declines [1]. Secondly, Chinese consumers' requirements for delivery speed are

much higher than those of American consumers; finally, logistics costs are too high, and the slow circulation of goods cannot afford to support the high logistics costs [4].

2.2. Problems in Localization Strategy of Enterprise Culture

The US and China are very different in terms of system, law, market environment, culture and even moral level, so if the US headquarters transposes its operation experience to China, it will definitely cause unconventional. Taking the book category as an example, Amazon was planning to carry out selection in China, vigorously expanding the selection and requiring a strategic route of “zero inventory”. However, he ignored the speed of delivery of suppliers in the Chinese market and the fact that China was not fast enough at that time, resulting in the delivery time of customers’ orders not being delivered according to the time shown on Amazon’s orders. Likewise, the Chinese situation was also ignored, as the protection of intellectual property rights in China at that time was not perfect, which greatly reduced the shopping experience of consumers and the image of the platform was greatly affected [3].

Culturally, Amazon’s U.S. parent company needs to abandon its sense of cultural superiority and truly integrate into localization and globalization, fully understanding local Chinese consumer habits and preferences, and respecting and catering to each local consumer preference so that the company’s overall business culture matches local consumer cultural needs [1].

2.3. The Company’s Internal Decision-Making Lacks Localization Strategy

Amazon (China) has actually localized its personnel management in terms of middle and lower management, while the top management is still expatriate. Nevertheless, the top management team has very limited power to make business decisions. In the face of such powerful rivals as Jingdong and Ali, Amazon’s U.S. headquarters does not fully delegate authority to the region, and is far less time than Jingdong and Ali in terms of decision-making [5].

2.4. Problems in Localization Strategy of Marketing and Promotion

Amazon (China) not only has not localized enough in the management, but also has not localized enough in the marketing and promotion mechanism. Amazon (China) in the face of Tmall, Jingdong, Suning and other online and offline marketing promotion, “everyday low prices” and “customer first” concept seems to be unbearable. We feel that Amazon prices are high, precisely because of the competitors’ publicity; Amazon simply does not do publicity, and does not advertise. Amazon keeps prices low and is not good at advertising, which directly leads to Amazon being far behind its competitors Tmall and Jingdong in terms of sales and consumer loyalty. The way Europeans and Americans prefer is to

not advertise in the Chinese market, rely only on word of mouth, focus only on product quality and customer experience, and not focus on promotional efforts [6].

3. Reasons for Localization Blockage of Amazon

3.1. Insufficient Research on the Personality of Chinese Consumers

Amazon (China)'s lack of research on the personalities of Chinese consumers has led to marketing and promotion in the market that does not fit with Chinese consumer preferences, and ultimately, Amazon's low level of localization in China [7].

For example, in terms of website design, Amazon's website is based on simplicity, which is contrary to the concept of most shopping websites in China. Domestic e-commerce websites, whether in terms of website design or seller stores, are striving to be detailed. Users can understand product profiles, and view buyer and seller shows and other ways in great detail, compared to Amazon's design in this area seems very weak [7]. In terms of website page experience, Chinese consumers are surprisingly consistent in their feelings about Amazon's pages. They think that Taobao and Jingdong's pages are detailed and beautiful, while Amazon's page descriptions are too simple. Amazon's page design is not suitable for Chinese users' habits and is as simple as a fishing website [5]. In terms of product descriptions, domestic e-commerce companies often strive to be detailed and provide multiple channels for users to understand the products. Users can read product descriptions, consult online customer service, view "buyer shows", and ask questions to buyers to understand the products from different perspectives. Amazon, on the other hand, is not designed for online customer service, and its customer reviews are mainly text-based, so consumers can only understand the products in a more one-sided way, and cannot ask questions to consumers who have already purchased the products.

There is a gap in the cultural habits, company management, marketing and other aspects between China's national conditions and market demand environment and Amazon (China). Only by changing the root cause of the problem and treating both the symptoms and the root cause can we find the right course to move forward in the sea of Chinese e-commerce.

3.2. Local Decision-Making Capabilities of Multinational Companies

Although Amazon (China) has a head of China, this head is not the executive arm of decision-making, and the real decision-making power lies with Amazon USA. These decision-makers neither understand the Chinese market nor trust the Chinese team. This long and mismatched chain of decision-making ultimately led to the situation Amazon (China) is in today. Amazon ended up being left far behind by the local Chinese e-commerce companies. There are many

other examples of multinational companies that have failed to make decisions because of a clear mismatch between their operating and decision-making environments and the conditions in their local country [7].

4. Suggestions for Solving the Problems of Amazon's Localization Strategy in China

4.1. Logistics Localization Strategy

Taking into account the domestic logistics situation in China and the characteristics of Chinese consumers, Amazon (China) should establish its own network of warehouses according to its own development situation to guarantee the customer service experience. At its inception, it adopted the approach of self-operated logistics in cooperation with third-party logistics [1]. However, in the selection of logistics, we should do a detailed examination of their service quality, service capacity, and carrier capacity, and try to select more than one for cooperation, so as to effectively reduce the risk of business operation, lower logistics costs, and rapidly develop the market.

4.2. Localization Strategy of Enterprise Culture

To resolve corporate culture conflicts, it is necessary to start with the respective cultures of multinational enterprises, recognize the characteristics of their own and host cultures, and realize that cultural integration is a process of intermingling, in which different cultures absorb and penetrate each other, establish common values, and eventually form a new corporate culture. The differences between Chinese and American cultures are enormous in many dimensions, Amazon's US parent company needs to abandon its sense of cultural superiority and truly localization and globalization, fully understand the habits and preferences of local Chinese consumers, and respect and cater to each local consumer preference. And respect and cater to the preferences of each local consumer, so that the company's overall business culture should be aligned with the needs of the local consumer culture.

4.3. Internal Decision-Making Localization Strategy

The decision-making power in Amazon (China) is basically at Amazon HQ. For example, the simplest interface, the global adoption of a unified web interface, only to facilitate all engineers to maintain it, does not allow for localised authority, which is simple in terms of management difficulty, but not very effective.

When entering the Chinese market, multinational companies must firstly select managers who understand the local culture and secondly delegate decision-making to the appropriate overseas departments. Only by delegating decision-making powers will the overseas departments' programmes be truly local market-oriented. If the decision-making power in the Chinese market remains in the hands of management who do not understand the Chinese market and do not trust the Chinese management, there is a high risk that their final decisions

will be out of touch with reality [6].

4.4. Localization Strategy of Marketing and Promotion

In today's online shopping environment in China, it is not enough to have good value for money, Amazon should learn from our competitors who are shouting loudly. Advertising is an essential marketing tool for companies. The right advertising campaign can improve Amazon China's brand image and expand Amazon China's visibility in the market, which can increase traffic to Amazon's website and thus boost turnover. Amazon China's target customers are active online shoppers. It is recommended to achieve precise placement through marketing channels such as press and soft promotion as well as paid search engines [4].

5. Conclusions and Prospect

It is not new for overseas companies to enter China, but the results achieved by these overseas companies in China are not satisfactory, because consumers in different countries differ in terms of economic level, culture and geographical location, and they also show different consumer characteristics in some aspects.

In order to enter a new market, it is necessary to have a deep understanding of the country's situation and consumer needs. Amazon (China) is basically modeled after the U.S. Amazon model for market development, although Amazon has tried to adopt some localization strategies, it is not suitable for China's market situation [4]. If it wants to outperform local Chinese e-commerce companies in the subsequent development, it needs to make targeted adjustments in the number of user registrations, product categories, quality, price, service, after-sales service, etc., and design a suitable localized marketing strategy based on the study of Chinese consumers' behavioral characteristics.

At present, multinational companies still have a lot of room for development. Through international promotion strategies, they can achieve to occupy a larger market globally, continue to expand their own business scale and achieve higher profits. But Amazon (China) gives other cross-border e-commerce enterprises an important inspiration that no matter how successful a company is in a certain country when it enters another emerging market, it must integrate with the local of this emerging market, taking its local habits, preferences, customs, etc., and then combine the advantages of its own strong background resources, uniting the advantages of multinational enterprises with the local reality of a country, instead of transposing successful experiences into another new market.

Conflicts of Interest

The author declares no conflicts of interest.

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